

MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon and welcome to today's GCI Teleconference. Following today's presentation, there will be a formal and question and answer session. At that time instructions will be given, should anyone wish to ask a question. Until that time, all lines will remain in a listen only session. At the request of GCI, today's conference is being recorded for replay purposes. Should you object, you may disconnect at this time.

I would now like to turn the meeting over to today's host Mr. John Lowber. Sir, you may begin.

John M. Lowber, Chief Financial Officer, Senior Vice President, Treasurer, Secretary

Thank you very much. Thank you for once again taking the time to participate in our call today. I am John Lowber, the company's Chief Financial Officer. Ron Duncan, our President and CEO is here with me as is our usual supporting cast including Dana Tindall who runs our Legal and Regulatory operations; Bruce Broquet, our VP Finance; we've got Bonnie Paskvan, our General Counsel; and Fred Walker, our Chief Accounting Officer.

We will all be available to participate in the question and answer session, which will follow my initial comments. If you don't have a copy of our detailed press release, you can find it on our website. The conference call is being recorded, and will be available for playback for 72 hours beginning at 4 P.M. Eastern Time today. The playback number is 1888-473-0137 with an access code of 7461. In addition to the conference call, you may access the conference through the Internet. To access the call via net conferencing, log on to our website at www.gci.com and follow the instructions. The webcast will be available for replay for the next 2 weeks.

I will now read a cautionary statement about forward-looking comments, and then we'll start. Some of the comments made by GCI in this presentation are forward-looking in nature. Actual results may differ from those projected in forward-looking statements due to a number of factors. Additional information concerning such factors can be found in GCI's filings with the Securities and Exchange Commission.

I think the theme for this quarter is steady as she goes. Revenues and EBITDA were down compared to the year ago quarter, but that was due to the impact of a \$6 million special project we closed out during the first quarter of last year. Absent that, revenues would have been up 3.5% over the prior year, and almost equal to our seasonally strong third quarter of last year. On a sequential basis, revenues were up almost 1%, and EBITDA was up more than 7%.

Net income and earnings per share more than doubled largely due to the financing cost incurred in the prior year. All our business units were up in terms of revenues and underlying metrics on year-over-year basis. As usual the quarter included some infrequently occurring items that need to be considered to fully understand the quarters results. Long-distance, absent the special project, which was recorded in the long-distance results a year ago, long-distance related revenues were roughly flat both as compared to the prior year quarter and on a sequential basis.

Our carrier business was a little soft in January and February but it came back pretty strong in March. We carried 302.5 million minutes during the quarter as compared to 301.4 million minutes a year ago, and 291.1 million minutes during the fourth quarter of last year. A number of customers that made calls during March of this year, increased fairly significantly by 5,700 or 6.6% and totaled 91,800 as compared to 86,100 a year ago. 91,270 customers made calls during December of 2004.

Our average rate per minute totaled \$0.0954 during the first quarter as compared to \$0.0998 in the prior year's quarter, and \$0.0966 during the fourth quarter of last year. Our average rate per minute is down 4.4% compared to last year, and it is down 1.2% when compared to the fourth quarter. These rate decreases are roughly half of what we experienced in the prior year. As expected, we are still seeing downward pressure on rates and a flattening of minute growth due to substitution effects in the long-distance segment.

Rate reduction have historically been accompanied by reductions in access charges, although we did experienced margin compression this quarter. Our margins adjusted for the special projects in the prior year decreased 169 basis points versus the prior year and 132 basis points sequentially.

Terrestrial and undersea fiber, satellite broadband, private line, and data revenues increased almost 9% year-over-year to 26.6 million during the first quarter and decreased slightly on a sequential basis primarily due to an internal revenue sharing change which benefited the Internet department. These revenues represented more than 44% of long-distance revenues during the quarter. Long-distance EBITDA decreased to 18.8 million for the quarter as compared 21.7 million for the same quarter of the prior year, representing a decrease of 13.4%. Long-distance EBITDA increased 8.7% on a sequential basis. The decrease in EBITDA from the prior year is due to margin compression, the effect of the special project in the prior year, and increases in operating costs including completion of the initial round of Sarbanes-Oxley Section 404 compliance efforts.

Cable television. First quarter revenues were up 4% over the same quarter of 2004 and were down slightly on a sequential basis due primarily to a decline in advertising revenues from the particularly robust fourth quarter. Rates on an equivalent subscriber basis were up 4% to \$79.64 compared to \$76.58 a year ago and were down 2.1% on a sequential basis. Our basic subscriber count increased by more than 2,100 over the prior year, partly due to our acquisition of the Barrow Cable assets during the quarter. The Barrow acquisition included approximately 950 subscribers, and facilities passing approximately 1,100 households. Including the Barrow acquisition, our basic subscriber count increased by almost 1,400 subs on a sequential basis.

EBITDA from our cable operations totaled approximately 11.6 million for the first quarter versus 11 million for the same quarter of last 2004, representing an increase of approximately 5.5%. First quarter EBITDA was down 5.7% on a sequential basis. Gross profit margins increased by a135 basis points year-over-year and decreased to 169 basis points sequentially. Sequential margins decreased primarily due to new programming enhancements, increases in programming costs and the seasonal decline in advertising revenues. The cable business is still having success upselling additional digital features. At quarter's end, we had almost 48,000 digital special interest subscribers compared to the 34,000 that we had a year ago, and the 46,100 that we had at year-end. We are now offering digital programming in the large percentage of our markets with some form of digital service available to 94% of our homes passed.

At quarters end, we had more than 6,600 culmination high-definition DVR boxes deployed in the Anchorage, Valley [ph] markets representing an increase of more than 700 units over the prior quarter. We are currently offering 10 high-definition channels in those markets. The cable business also enjoys the benefit of 55% on the cable modem revenues generated by our Internet access operations. Those revenues continue to grow.

Local services. The local services business had a strong quarter. We turned up approximately 500 access lines during the quarter, in spite of continued reductions in Internet access lines. At quarters end, we were serving approximately 112,600 access lines representing a statewide market share of approximately 24%. We added 4000 lines over the last year. Our local services revenues increased approximately 13% over the first quarter of last year, and were up more than 7% sequentially. During the first quarter, we realized an addition of \$1.2 million in out-of-period USF revenues, resulting from increases in our USF revenue accruals.

During the quarter, local services contributed a positive EBITDA of \$1.1 million excluding the benefit of approximately 1.8 million of access charge savings enjoyed by the long-distance business. EBITDA nearly doubled as compared to the prior year quarter and was up almost \$1.5 million over the prior quarter.

Residential customers now represent about 61% of our lines, business customers approximately 36%, and Internet access customers have dropped by almost half to approximately 3%. Approximately 85% of our lines are provided on our own facilities or using leased local loops or UNE platform approximately 6% of our lines up related using UNE-P.

As you no doubt know by now we are deploying digital local phone service on a measured basis using our cable plant instead of least local loops or other means involving in the incumbent local service provider. During the quarter we turned up 2,400 lines and at quarters end we had more than 10,400 lines using our new technology. This technology allows us to provide local service without having to lease local loops or resell service from the ILEC allowing us to avoid us those costs and provide a much improved service to our customers. This improved service translates into reduced churns compared to the service we provide on the loops leased from the incumbent ILEC.

There's been limited measurable activity on a legal and regulatory front our more and recent efforts have been focused on opening up new markets in Alaska, to allow us to provide local service in those markets and we're working to try to recover access, excess charges we've paid due to what we believe along with the RCA and the FCC is in proper classification of certain traffic as interstate enhanced services by one of our competitors.

Internet access services, Internet access revenues were up smartly during the quarter. Revenues for the first quarter totaled 7.3 million as compared to 6.4 million in the same quarter of the prior year representing an increase of more than 14%. Revenues were up more than 14% on a sequential basis as well. Quarterly internet business EBITDA reached almost 3 million that compares to approximately 1.9 million in the year earlier quarter and a little over 3million in EBITDA in the preceding quarter. Our average revenue for cable modem was \$30 and \$0.97 per month as compared to \$40 and \$0.20 in the year ago quarter and \$31 and \$0.94 in the prior quarter. Our average rate for cable modem is declining as expected as we convert dial-up customers to our entry-level modem product. We deployed another 3800 cable modems during the quarter, and we now have approximately 69,300 units in service, almost 18,000 more than we had a year ago. We also have more than 1000 DSL subscribers, approximately 99% of our cable homes passed are able to subscribe to our cable modem service.

At year-end, we were serving approximately 32,400 dial-up Internet access accounts down from the 48,900 that we had a year ago, and 36,100 at the end of the prior quarter. The decline in dial-up accounts is consisted with our expectations, as we expect to migrate these accounts over time to our cable modem products. Our product bundle that includes an entry-level cable modem has been very effective in accelerating this migration and attracting new customers.

Other items of interest. During the first quarter, we used approximately 900,000 of our remaining credit with MCI, you said the credit is recorded as a reduction of bad debt expense. We used 1.2 million of the credit in the prior year quarter and recorded a benefit of approximately 824,000 in the fourth quarter of last year. At the end of the quarter, we had remaining unused credit of approximately 2.8 million. We currently expect the credit to be fully utilized by late this year or early next year. We are active with our stock repurchase program during the first quarter, having spent approximately 5 million during the period. Prior to the quarterly blackout period, we acquired slightly more than 500,000 shares at an average cost of approximately \$9.92 per share. We are cleared to purchase up to an addition of 5 million of shares, that's \$5 million worth of shares through midyear, plus any purchases we may be able to negotiate with Toronto Dominion Investments.

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Guidance and economic prospects, last quarter, I mentioned that we expected that we would generate first quarter revenues in the range of 105 million to 107 million and the EBITDA in the range of 33 million to 34 million including the MCI credit. We generated EBITDA of 34.5 million, which exceeded the high into the range and revenues of 106.5 million, which approached the high end of the range. Economy in Alaska remained strong and the prospects for all of our business units are looking favorable. Our guidance for the full year remains unchanged at 430 million to 440 million in revenues and 144 million to 146 million in EBITDA. We expect the second quarter results to surpass those of the first quarter, both in terms of cash flow and revenues.

Liquidity and capital expenditures, we remain in great shape with respect to liquidity. We ended the first quarter with more than 20 million in cash and 44.5 million we'll be able to draw under a revolver, if we need it. Our satellite least facility will require approximately 6.4 million in principal payments during 2005 and our senior facility will require quarterly amortization of approximately 8 million, beginning at the end of the first quarter of next year. Our senior facility matures in October of 2007, so its increasingly likely especially in light of current market conditions, that we will seek to extend or replace our senior facility and very possibly our satellite facility in the near future. Any new or amended facility would be expected to allow us to continue our stock repurchase program, at no less than the current rate of 5 million per quarter.

We invested approximately 24.4 million in capital expenditures during the first quarter, in the following areas. Long distance 2.8 million, broadband services is 1.1 million, Cable and entertainment 2.6 million, Local services 5.7 million, Internet 1.3 million, Capacity upgrade for Alaska United East Undersea Fiber 2.2 million and Administrative support 8.7 million including 7 million for IT customer service and billing system upgrades.

Our capital expenditures requirements beyond approximately 25 million per year and maintenance capital are largely success driven and are functionally opportunities we developed in the market place. Now withstanding the higher run rate we experienced during the first quarter, our expected capital expenditures requirements for 2005 remain unchanged from last quarters guidance at 80 to 85 million. In order to accomplish our free cash generation goals for the year, we'll need to hold capital expenditures to approximately that level.

To recap our cash sources and uses for the quarter on a simplified basis, we generated approximately 34.5 million in EBITDA out of that we spent 24.4 million in CapEx, 14.1 million in cash interest expense including our semi-annual bond interest payment and approximately 5 million in stock repurchases resulting in a net use of 9 million in cash before other items. Approximately 317 million of our 475 million in debt is fixed rate debt, our cash interest expense at current rates on our existing facilities is now running at approximately 32.5 million per year compared to the last 2 quarters annualized cash flow was approximately 133.4 million, our cash interest coverage is approximately 4.1 times and our leverage at quarters end on net debt is just under 3.4 times the cash flow, on gross debt our leverage is 3.56 times.

In conclusion, we met our internal cash flow expectations for the first quarter, and we are optimistic about meeting our goals for the remainder of the year. Those goals translate into record revenues, cash flow, and net income during 2005.

We will now be happy to answer your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions.]

Our next question or our first question comes from Jonathan Atkin.

<Q – Jonathan Atkin>: Ah, yes John Atkin with RBC. Most of my questions are on the operating side on broadband, I don't think you disclosed the churn rates. So I was wondering if you can comment on how disconnects were trending relative to prior year levels. So in other words, adjusted for seasonality, how that's trending, and then a couple questions on telephony. I wondered?

<A>: Lets do it one at a time, our memories aren't that good. We won't catch you.

<Q – Jonathan Atkin>: Sure.

<A – Ronald Duncan>: Broadband churn first, this is Ron Duncan. I think generally, our experience that most of the products churn at very similar levels. We don't see a discernible difference in broadband from either the video or the broader local telephony product. We think little of that churn relates to competitive issues most of the churn is moved and either moves within the community, people moving in and out of the community, there is a 20%-25% turnover in the housing stock up here every year and that drives the base level of churn and our total churn is only 5 or 6 points above that. So really no difference across any of the categories other than what we noted before on and noticeably lower churn, our own facilities on local but broadband doesn't seem to churn differentially from the video.

<Q – Jonathan Atkin>: Okay and then on telephony you mentioned the mix between business and consumer how do you anticipate the mix going forward as you add due telephony subscribers between residential and business?

<A>: I wouldn't anticipate tremendously large swings in that mix because the mix today pretty much mirrors the overall mix of lines in the market, the mix doesn't arise from really differential share in the commercial or consumer markets, it arises from differential line sizes in the commercial and consumer markets and I wouldn't anticipate a large change in the percentage, what you will see I think is a continued decrease in internet service provider dial up lines which will just shift the total share numbers where both residential and commercial up as that category of service disappears. But we are pretty close today to the relative population between business and consumer lines in the market and that's reflected in what we have.

<Q – Jonathan Atkin>: Okay. And then finally on the local dial-tone product, you've got a number of different options in terms of the calling features et cetera and I was just wondering which of those is the most common or are people taking these four product level as that most of the growth, what's the kind of mix there?

<A>: The thing most people take the bundle that comes with 3 or 4 features, and my recollection is that, call forwarding and caller ID, and caller ID blocking are among the top features, but I am just guessing from data a long time ago. But typical, I think, people taking 3 to 4 features on that. There are some feature-junkies who take a lot more, but that's pretty much normal.

<Q – Jonathan Atkin>: Thanks. That's helpful. And any change in what your main competitor is offering either in terms of pricing or bundling?

<A>: I don't think we've observed any real material change on the competitive dynamic up here. They are, obviously, pushing their wireless products very hard. And I think as you noted and, as they noted in their call, they are doing well from their perspective with the wireless products. But

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we haven't seen anything. They almost disappeared on the video front, we see almost no promotion from them for their video product anymore. And I am not aware of any major changes in their product bundling pricing for the tel or the voice or the data.

<Q – Jonathan Atkin>: Thank you very much.

<A>: Sure.

Operator: Our next question comes from Ted Henderson.

<Q – Ted Henderson>: Thank you. Hi, guys, just on capital expenditures the, and you reassume, kind of, quickly John but I think I jotted these down. The fiber, there was about 2.2 million CapEx still on AU West. Is that done now?

<A – John Lowber>: Yeah, that is done. That was actually AUEs, and it was upgrading it from 48 DS3s or OC3s or whatever up to

<A>: DS3s

<A – John Lowber>: 192, that parallel what was available on AU West had tuned it into that [ph].

<Q – Ted Henderson>: Okay, but the fiber spends are pretty much done now?

<A>: I believe so, yes.

<Q – Ted Henderson>: Okay. And then, the number that kind of jumped out; was that 8.7 million on administrative and IT, I believe. Is that onetime or?

<A>: Hopefully so, Ted. There is a big push to turn up a new, really a customer service platform ready to help customer service folks to do a lot better job meeting the needs of our customers, essentially giving them one look into a customer. Today, we've got several databases and we have to, kind of, migrate from one database to the other. This will combine them all into one. And we are immediately partnering the screen with a bunch of customer information and really help them; A, save time; B, serve the customer; and C, save some costs. So, that push is going on right now. We are hoping to wrap that up sometime midsummer.

<A>: There will be more to come on that in the second and probably the very first part of the third quarter this year. But we are expecting early third quarter deployment and substantial operational benefit as a result, and at that point that project should close out.

<Q – Ted Henderson>: Okay. And then finally on the local, is that in conjunction with converting customers to the GCI network, the 5.7 million spend on local?

<A>: Yes. We are mostly upgrading the plant to rollout the digital local phone service. And that will continue.

<Q – Ted Henderson>: Okay. Got it. Thank you guys.

<A>: You bet.

Operator: The next question comes from Rick Black.

<Q – Rick Black>: Hi, gentlemen. How are you today?

<A>: Good Rick, how are you?

<Q – Rick Black>: Good. The first question is dealing in terms of ARPUs both on the cable side and ELD [ph] the spin partially in terms of the ARUP that you are receiving, one in cable, because of basically the bundles and packages that you are putting out there, and then on the LD side, primarily because the rates are going down. And I was wondering when do you see it stabilizing at any point. Is it going to be more a function of you just getting every customer on in terms of the cable market or is it more a function of just saying we've gotten essentially a great point in which we want to be that, and then we can just basically stop putting out the promotions to get people come on to the cable side.

<A>: I think the seasonal effect, the one-time effect is masking the trend of the numbers there, Rick. The cable ARPU was down fourth quarter to first quarter for the first time in probably in 16 quarters, surely as a result of very large advertising revenues that the cable group recorded in the fourth quarter because of the November elections. You may recall, we had a number of hotly contested elections up here. We were basically sold-out on cable advertising for three months period, and a big chunk of that fell in the fourth quarter, and that gets divided into the ARPU and where advertising normally a buck or two or so but it was probably doubled out in the fourth quarter. That's was distorting that. Cable ARPUs, in general, continue to trend up as we sell more products to customers. If you look at the growth of 30% in modems, that's part of what drives cable ARPU up. Also, speed increases on modems, people taking additional service tiers as result of the availability of new programming through the digital platform. But I don't see cable ARPU trending down in any time in the near future. I don't know if it can trend up at rate it's gone for the last 16 quarters, but we don't think that we've reached the extent of the average spend on the cable side. And if you look at our overall consumer metric, our overall average revenue per customer continues to trend up as well. Long-distance minute pricing, particularly on the consumer side, goes down. But long-distance minute pricing is largely disappearing on a per minute basis, as people buy packages in bundles and the total spend continues to go up. The price pressures in long-distance today really occur on the large customer. The commercial customer the carrier and the data side of the fence where we do see continued price pressure.

<Q – Rick Black>: Do you see the Verizon MCI merger having a benefit upon you in terms of may be say direct traffic [ph] pushing up the ability to service, sell managed services and data networking services to your customers?

<A>: We are not sure what effects Verizon MCI is going to have, I suspected it will be 2 or 3 or 4 years, before you see much effect at all in Alaska from that merger. I think to the extent that consolidation in general in the inner exchange industry in the lower 48 and the move from standalone inner exchange providers to more fully integrated bundle providers will be healthy for the industry as a whole. And may lead to some firming up of pricing and more focus on network availability and service delivery and all those trends would be beneficial for us.

<Q – Rick Black>: Okay. And then the last question you had mentioned about ACS showing strength in with their wireless product. I was wondering, if you can give an update in terms what's going with the resale of Dobson services for you?

<A>: We are still going very, very slowly on our resale on rollout of Dobson resale to be sure that the service is going to work as we would like it to work when we roll it out and we are not ready yet to turn that up to a high speed roll out.

<Q – Rick Black>: Okay, thank you.

Operator: Our next question comes from Liam Burke.

<Q – Liam Burke>: Of Ferris Baker Watts. Ron, John how are you today?

<A>: Good Liam

<Q – Liam Burke>: DLPS you mentioned that you want to you, you anticipate having 25,000 subscribers at the end of this year?

<A>: Yes.

<Q – Liam Burke>: Has that changed from the original addition or is not 25,000 no that's 25,000 total, is that right?

<A>: That is a step down and it reflects a couple of things principally it's a result of the fact that we haven't yet agreed on a satisfactory solution for multiple dwelling units. We were expecting our equipment vendor to provide us with a better solution than the, right now the product is optimized for single family blowing units are basically up the for flexes and the equipment size works real well with the external mounted box in the line powering. We were anticipating that the vendor will be able to provide us with boxes that would provide 16 or 24 lines in a single unit line powered with some sort of backup available and those have not yet materialized, we are not confident that they are going to materialize in time to be in this year's build and multiple blowing units of 8 and larger represent 30% of our footprint, if we take those out and are unable to deploy those this year and we are looking at alternate technologies to get back in there, but if we take those out the 25,000 total, which would represent an addition of 17,000 or 18,000 this year looks like an appropriate run rate unless we were to substantially turn up the amount of outside plan efforts and that comes with some additional cost and some customer disruption in terms of having to do construction outside the daytime window. So at this point we are going to leave the guidance to the total 25,000 at year end then we're going to continue to focus aggressively on solving the multiple blowing unit problem, which when we fix it and I don't want to create the expectation that it will add lines back in this year but when we fix it should allow us to accelerate the deployment of those lines. Other than that we are extremely happy with the technology.

<Q – Liam Burke>: Great, thanks Ron.

Operator: Our next question comes from James Lee.

<Q – James Lee>: Hi, Ron how is it going.

<A – Ronald Duncan>: Okay, James.

<Q – James Lee>: Can you just comment about your LD revenue and EBITDA margin trend for the rest of the year a little bit. How do you see that trend down second and third quarter and look what kind of margin do we expect, do we expect margin to come up a little bit or stay flat for remainder of the year? Thanks.

<A – Ronald Duncan>: The minute side of the carrier business is still fairly volatile as traffic in the lower 48 from the second tier carriers the Rbox level 3s, the non-major players Henz [ph] trends is still moving around, amongst Sprint MCI and AT&T for its route for Alaska. As you know there are basically 2 routes in and out of Alaska, us and AT&T and when an Rbox which is traffic from one of our customers MCRS Sprint to AT&T the minutes trends to flock around. We think that's going to stabilize some we think the trends are headed in our direction, we believe that that was seen in the end of the third quarter in the March month, so we are processily [ph] optimistic about that traffic. The pricing on that traffic is pretty stable, it's now set by regulation the rest of the LD business which is really good data in the networking long haul business, I see volume growth in that business offset to a slight degree by continuing price compression but expect that the volume growth will slightly exceed the price compression so that there should be net revenue growth in the data side of the business over the rest of the year I don't expect substantial margin changes in the

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long distance for the balance of the year unless we were to see very good dramatic swings in the career traffic one way or another which were not to leverage the fixed cost base of the business.

<Q – James Lee>: So is it fair to say that your LD revenue for the year would be flat if not slightly above your 2004 number while the EBITDA margin probably stand the, probably low 30% level?

<A – Ronald Duncan>: Well, I would want to sit down with the numbers and really, life's like that that James, but I don't violently disagree with that, but don't want to put myself on record without the numbers in front of me.

<Q – James Lee>: Okay. Ron, can you also talk about your contract status with MCI and Sprint can you talk about, the status and negotiations that you have with those carriers and also give some color as to when these contracts come to expire?

<A – Ronald Duncan>: We are confident that the carrier business will stay on our network. The carriers are on long-term contracts with terms currently running in the 3 to 5 year time horizon and we have no reason to believe that, the carrier traffic is in anyway in jeopardy. We are the only provider in the state that can offer dramatically redundancy for their services, but I know my competitors they're making an incredible amount of noise about their ability to take away certain pieces of that traffic. But, we just don't see that happening, we don't think the opportunity to do so occurs in the timeframe that they think it occurs and we are very confident the traffic will stay on our network. In terms of what you can do to decide will you, are you going to believe on that one because you can't believe both of us, just suggest you look at our track record and if that traffic has consistently been on our network for the past 20 years and they have never gone or lost any other way. We do not intend to lose the traffic and there is nothing in the contracts that would cause me any great concern that our competitors are going to come in and be able to snatch it.

<Q – James Lee>: All right, lastly Ron can you talk about a little more about your DPLS deployment, it looks like, you know, you scaled back by 8,000 lines for this year. I don't see a correspondent decrease in CapEx, can you talk about why that is?

<A>: Yeah, we've scaled back as I mentioned mostly because of the MDUs, the CapEx, what happens is as you shift the balance a little bit between MDUs and single family lines, the single family lines are little more expensive than the MDU lines. Also the front-end lines they are little more expensive than the back-end lines because of the fixed cost in the IT overheads. So, we kept the CapEx spent fairly constant, I think we've said in the past that we anticipated the average cost on the front-end 0.42 per [ph] line was going to exceed the average cost overall as you averaged it over a 4 or 5 years, as we expect the trend line to go down. But yeah, we are seeing a little higher average cost per line in this year as a result of that and perhaps next year as well costs in that end of the business capital costs having come down quite as fast as I had anticipated, largely because lower 48 providers, not as many lower 48 providers are going to the line powered units.

<Q – James Lee>: Okay. If I could squeeze in just one more question, it looks like your Internet segment and your cable segments EBITDA margins are pretty strong. Is this sustainable going forward or how should we think of margins for the rest of the year?

<A>: I think, the only threat to the margins in those 2 segments is really programming costs. I don't see any abatement in the demand for either video or data services, I think, our data product continues to be far in a way the most compelling consumer data product in the marketplace. We've explored all the possible price points, we're seeing consistent up sales in terms of data speed and other features to those customers and as we continue to promote things like the ultimate package and add more value and more features into those packages, I think that we have got continued robust revenue potential in those areas and no I don't anticipate margin erosion in those businesses.

<Q – James Lee>: All right thanks Ron.

<A>: Sure James.

Operator: Our next question comes from Carl Bufka.

<Q – Carl Bufka>: This is a question for John Lowber, John you have been buying in stock at a rather furious rate, but I don't see it showing up in the puddles of common stock that you are using to calculate either basic EPS or diluted EPS, is there stock option exercises that are offsetting the reduction in shares from your purchases or is it something else?

<A – John Lowber>: There definitely was a frenzy of exercises Carl in the last quarter of last year which blunted some of the impact of the buyback but if you did a refined analysis on the fully diluted shares essentially using the cash on exercise and so on, using the treasury stock method to reflect the purchase and retirement of shares with that cash you would see that we have actually reduced the fully diluted calculation, by now I think its around 5 million shares, so it is showing up. We have, I think I am behind on sending some shares and to be canceled I have got, I think slightly over 300,000 shares and in account that have to go in and be actually retired and I think they still show up as outstanding at present as well. But aside from the flurry of exercises Carl the net number of outstandings is coming down and we have not issued much in the way of additional options over the last couple of quarters. So, we are making progress, although it's slow.

<Q – Carl Bufka>: Are there any significant number of previously issued options that we're going to have to deal with in terms of the reduction in the shares outstanding?

<A>: Well, I think if you look back over time you'd see that I think, the average shares that were under option has run around 6.5 million shares over the last 4 or 5 years. So to the extent that those don't all come roaring in the door and get exercised, they are going to lay out there. But certainly that's an overhang that we'll ultimately hopefully, I think, the average exercise price on those were somewhere around \$6.80, but hopefully those will come in and will get exercised because people will have some nice gains in them. If obviously, if the share doesn't appreciate much then that blunts the enthusiasm for folks to come up and exercise them in earlier then that when they would normally expire.

<Q – Carl Bufka>: Is there any target numbers as far as the number of new options that the company is prepared to offer its employees and others?

<A>: Well, that's managed by the comp committee of the Board Carl [ph]. I think if you look at the distribution of options in the hands of management and so on today, I think folks are generally in pretty good shape. You know, we had some pretty sizable issuances over the last few years. So I don't see, we got I think available approved by the shareholders, we got about 1.7 million shares in the pool, and that's it we want to make that last for awhile, and obviously if you're buying stock back in, you don't want to undo the efforts of what you are trying to accomplish by pouring it of the other sides. So we are going to be real mindful of that.

<Q – Carl Bufka>: Okay.

<A>: And a another issue is of course the, which in vogue now is to issue restricted shares rather than options because of the pricing and so on. We haven't done much in that regard yet.

<A>: I would just like to clarify the strategy there Carl and the strategy is to issue reduce the fully diluted shares, there is, we are mindful of the impact of options, we are mindful of what happens when options get exercised, we tend to look at the fully diluted share numbers when we manage internally and the objective is to see a significant reduction that's possible in the number of fully diluted shares. And if they were to be large rushes of option exercised, I think we would have to

take a close look as whether or not we should use the exercise proceeds in addition to the free cash flow to retire additional stock, but the objective is to shrink the base.

<Q – Carl Bufka>: Ron I do have a question for you I finally had just under the moment. And this relates to something that was in John's presentation about the Alaskan economy growing very nicely, but it doesn't seem to be reflecting in your revenue numbers. Is there something in the way of disconnect here that's occurring or is it something that's temporary your problem as you transition to some different business areas or else is General Communications become a company now that barely grown in concert with growth of its service territory?

<A – Ronald Duncan>: I think if you look at segments that relate directly to economy up here, if you look what's happening at the retail revenue in our consumer segments, if you look at the average revenue for cable customers, if you look at the new modem ads, if you look at what's happening on the local telephony, you will see we are continuing to drive very good growth in terms of revenues that actually come out of the Alaskan market. We're seeing some headwinds on the pricing front that come out in the form of price reductions that end up going to our carrier customers or very large commercial customers as they buy more bandwidth. And right now we are seeing some substitution going from the wireline to the wireless side of the business and we are not completely able to address the revenue equation on the wireless side although we will be able to solve the piece of that soon. I also think that the growth up here is going to accelerate. We're expanding a part of our capital program this year. It's to extend cable facilities in front of new home developments that will provide substantial new customers, which you'll see the revenue come in the future years. So I think the answer is the core business up here is healthy and going well, and like everybody in the carrier business we face a certain amount of headwinds. I think it's a credit to both the company's success and the marketplace that we have been able to completely overcome those headwinds and continue to grow the revenue and EBITDA albeit at a slower pace in spite of the trends that we faced in our core industry.

<Q – Carl Bufka>: And there is nothing that you can see or that you're planning that would create a breakout opportunity in terms of really accelerating growth for GCI versus the environment as you just described it?

<A>: We've said previously that we saw this year as kind of a flat year. We had some particularly strong headwinds last year that reduced the run rate in the last half of the year and we acknowledged that the growth between last year and this year is relatively flat. I expect that growth to pick back up again next year. I don't anticipate we'll return to 20% EBITDA growth, but I expect we'll be back into the very high single, low double-digit EBITDA growth next year and in forward years. And if the economy continues on the trend we think up here, we believe that should be sustainable. The growth in the free cash flow will accelerate fairly nicely, because we can achieve those growths without any material increase in the capital program.

<Q – Carl Bufka>: Okay, thank you.

<A>: Thanks Carl.

Operator: Our next question comes from Anthony Klarman.

<Q – Anthony Klarman>: Thank you very much, a lot of questions are answered, but I have a few more. On BOPS, Alaska ACS had a conference call recently and they were, one of the questions they were asked on their call was the rate of disconnects they have seen coming from the DLPS. And I think they admitted that they had seen a certain level of disconnects but the pace had slowed and they gave some anecdotal evidence that when some of the subscribers had moved over they have seen some of them coming back to them, noting some of the things like service quality or reliability, some of those things. I was wondering if you could kind of reconcile some of those

comments with the evidence of what you are seeing or are they really just probably observing what are small blips on a much larger platform of a much larger convergence?

<A>: I don't know how ACS makes up, what they tell you on the conference call, but we went back after that call and looked at the BOPS numbers and analyzed that customer base in contrast to the customer base that we serve on the copper loops that we leased from ACS. And the number of customers, the competitive churn which is customers going to the other carrier from the BOPS technology is more than 20 percentage points lower than the churn of customers going from the leased copper wires back to other carrier which reflects what we expect to the superior technology, it's got better voice quality and it enables us to serve the customer better. So, I don't know where they are coming up with what they come up with, but that's not the only thing I don't know where they are coming with. So, we don't see any evidence whatsoever to support what they are imagining at.

<Q – Anthony Klarman>: Case enough next question, is on wireless. And we're several quarters old now with wireless and the network has by the adoption acquired through the swap with AT&T wireless has supposedly been upgraded long ago. And I guess I am wondering what the constraint is at this point, why wireless is it moving much faster given that word now getting close to half way through '05 and this was something that really was announced in '04. What is the main constraint at this point to better or any contribution real materially coming from wireless?

<A>: We are still concerned that if we were to accelerate the movement of a large number of customers to the new wireless network that it would induce problems, quality problems in the system that we wouldn't be able to mitigate. And we are growing at a slow measured pace and with that the deal with those, but we are not prepared to accelerate it yet.

<Q – Anthony Klarman>: I just want to make sure that I understand, are you talking about the network or are you are talking about your internal systems in terms of fording customers and subscribers in and out?

<A>: We believe, we are ready to ford customers.

<Q – Anthony Klarman>: Okay. Two final questions, first on the stock buyback, you've been fairly persistent I guess, since you announced the stock buyback program and have been consistent in buying back stock at a pretty healthy pace every quarter. Yet the overall impact on the stock prices has been relatively muted, even though, I think as John sighted you have taken out a decent amount of the fully diluted share account. I guess I am just wondering it at what point do you weigh the return you are getting on that capital you are deploying to buy in shares versus perhaps, would you entertain at some point doing something more radical than a small measured stock repurchase program every quarter?

<A>: We continuously look at what the appropriate capital structure is and what the appropriate uses for cash are. We have, at the request of bankers who would love to make lots of fees, entertain the option of a larger upfront buyback but we still don't believe that large block repurchases on the front-end other than in unique opportunistic events like the MCI situation make good long run sense for the company. I would feel somewhat more concerned about the net effect on the stock price as a result of the buy-ins if when I looked at the general market over that same period I saw a market that was up dramatically rather than down dramatically, but I think you have to look at what's happened with the market as with respect to the overall marketplace as a whole, particularly evaluations in the cable telecom media segment which have not performed strongly in the last 5, 6, or 8 months. We are in this for the long haul. We continue to believe that we have a rock solid business with stably increasing free cash flow over the next 3 or 4 years. We believe that in the long run the value of that business is based on the magnitude of those cash flows. And while we'll keep evaluating what's going on, we are not going to engineer the company to the fad of the

moment in the marketplace and try to do financial designing to meet whatever Wall Street wants this quarter.

<Q – Anthony Klarman>: Thanks, and now one final question. We've talked about it on these calls before, but is there any update or progress on several of the large capital projects that you talked about for the state for sometime whether its E&P [ph] development projects or big government federal spending projects that might be coming into the state?

<A>: I would encourage folks who don't follow the local press in Alaska to look online at some of the newspapers up here particularly, Anchorage Daily News, if you look back over the last 2-3 weeks, you'd see several very extensive articles on the gas line. The governor had a briefing for the legislature, I think 10 days ago, where he outlined the status of the 3 contracts that the state contract proposals that the state is evaluating for alternative producers or providers to construct and operate the gas line. And he told the legislature to expect that he would call them back over the summer in special session to approve, whichever those contracts he selects. I think we're still on track to have a gas line agreement in place with one of those 3 groups by the end of the year, which puts us at the start of that 7 to 9 year construction process. The state is flushed with oil revenues and the legislature is not showing any excess of conservatism in how it's going to go about spending those. We will probably have the larger state capital budget up here that we've seen in the last 7-8 years and federal capital spending in the state continues at a good pace with new military investments. So I've been a bull on the Alaska economy for the last 2-3 years and I remain so.

<Q – Anthony Klarman>: Great, thank you guys very much.

<A>: Sure.

Operator: Our last question comes from Greg Mesniaeff [ph]

<Q>: Yes, thank you. Turning to the cable side, I was wondering if you could give us some color as to your recent experiences with DVRs as well as with video on demand and how those do or conceivably can impact your ARPUs and your churn?

<A>: We love DBRs, as we think they are a real hot product. We could put out about ten times as many of them as we can get. We wish Motorola would give us more and we wish the ones they would give us would work consistently. We have had producer problems with the Motorola box. They have been having some recalls and some defects and we can't get as many as we want. We very quickly put out the ones we get, I think there is continued upside there if we can get access to the boxes. We are not yet ready to make a technology commitment on the VoD front. I originally thought we would start to roll something like that this year. We're still contemplating whether or not to go with the conventional distribution mechanism for VoD or to wait a little longer and see whether an IP based platform would make more sense as a way to distribute VoD but I expect to see VoD in our network probably sometime in the next two years.

<Q>: Is it too soon to make any correlations between your DBR experience and ARPUs and churn rates?

<A>: DBR has helped. I don't think there are enough of them out there to really be materially, but they could affect the ARPU if I could get as many boxes as I'd like I think. It definitely helps you sum on the churn, and I think that what mostly helps us on the churn is the complete product bundle with the whole thing tied together at a very attractive price and the way we have been aggressive about promoting and discounting the data and the voice products to go with the video.

<Q>: Right, that's all I have, thank you.

<A>: Thanks Rick.

Operator: Our next question comes from James Lee.

<Q – James Lee>: Hey Ron. Can you provide more color on the natural gas pipeline project, maybe you can give some comments about what's the revenue opportunity coming to your company so on and so forth? And also you can comment about, looks like you're going to get some nice free cash flow over the next couple of years, are there any other strategic opportunities that you can look at in terms of investment banks?

<A – Ronald Duncan>: Gas pipeline first, we think the gas line drives very substantial growth in the core employment base in the Alaska economy. That means new home constructions, new consumers, lots of new employees up here. It's a gradually accelerating ramp. If we sign a contract, if the Governor signs a contract at the end of this year, they start work 3 to 4 years, you are starting to get close to the peak of the construction process, and then you've got a couple of years before it starts to tail down. Very, very strong employment growth and spending growth, lots of opportunities for the consumer side of the business as a result of that. I think I have estimated in the past that it could increase the upside EBITDA of the company by something in the range 25% compared to what our long run EBITDA would otherwise be able to peak out without that kind of growth in the Alaska economy. We still feel real good about that and I don't want to put up a number year-by-year, because I don't know what it is going to come about, but it's something that will fit within our footprint. And it's good for all the players up here, I mean folks should be investing in Alaska, the industries in general because this market is going to outperform the rest of the economy as a result of the resource in the defense industry for the foreseeable future. With respect to other investment opportunities, one of the reasons that we are very reluctant to initiate a dividend is we don't want to foreclose other opportunities. We continue to look. You guys saw the recent pricing at Adelphia. We have no interest in lower 48 cable assets at that kind of price. We just don't see how we can make money with them, but we continue to look for other strategic opportunities and certainly if we found the right one we would not be reluctant to invest in it and we have not been bashful in the past about suggesting that the thing we would like to do most is buy a major wireless provider up here and roll that into our network and we continue to believe it's important that we reserve any off dry capital capacity if you will that we could move very quickly to consummate such an opportunity if it came about.

<Q – James Lee>: Ron can you quantify the cost of building that fiber optic line along that gas pipeline. How much would that cost and would you be building that network alone or you most likely look for partner to build that fiber network?

<A – Ronald Duncan>: I have no, that's all speculative at this point James. I have no idea what it's going to cost, we don't even know what route the gas line is going to run yet, presumably it's going to go down through Canada, presumably since the if you ever built you don't have partner with a Canadian firm for the Canadian portion. A lot of that will depend on the design of the selected pipeline and how much the communications capability is necessary for commanding control of the pipeline, I think that's very premature to try to speculate on that. I think the bulk of the pipeline benefit to GCI and other companies in the market up here comes not from actually serving the pipeline per se but from serving the large increase in the consumer economy that will be driven as a result of the employment increases.

<Q – James Lee>: Great, thanks Ron.

<A – Ronald Duncan>: Sure James.

Operator: At this time as there are no further questions I would like the meeting back over to Mr. Lower for any further statement or closing remarks.

John Lowber, CFO, SVP, Treasurer and Secretary

Okay I guess we will wrap it up. Thank you all for your participation and we will do it again in another 90 days or so. Thanks a lot.

Operator: Thank you for participating in today's teleconference and have a nice day.

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